

Message Text

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PAGE 01 USBERL 01331 101811Z

64

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

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FM USMISSION USBERLIN

TO SECSTATE WASHDC 1154

INFO AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: GW, WG, EFIN, ECON

SUBJECT: BERLIN BUDGET COUNTS ON 11 PERCENT INCREASE
IN FRG CONTRIBUTION

SUMMARY: IN SPITE OF PLANNED TAX INCREASES AND SELECTIVE
EXPENDITURE CUTS BERLIN '76 BUDGET WILL RISE 8.6 PERCENT
AND ANTICIPATED FRG CONTRIBUTION WILL REACH DM 6.5 BILLION,
WHICH WOULD BE HIGHER PERCENTAGE OF TOTAL INCREASE THAN
BORNE BY BERLIN. BUDGET INCREASES APPEAL LARGELY DESIGNED
TO COPE WITH INFLATION WITH EXCEPTION OF RISING INVESTMENT
OUTLAYS DIRECTED AT COUNTERING PERSISTENT RECESSION.

END SUMMARY:

1. SENAT APPROVED DM 14.2 BILLION BUDGET AT JULY 8
MEETING . (MUST NOW BE SUBMITTED TO HOUSE OF REPRESENTATIVES
FOR FINAL APPROVAL. BUDGET DEBATE EXPECTED IN DECEMBER).
NEW BUDGET IS 8.6 PERCENT ABOVE 1975 BUDGET AND ENVISAGES
AN 11 PERCENT INCREASE IN FRG AID. FINANCE SENATOR RIEB-
SCHLAEGER, IN SUBMITTING BUDGET TO SENAT, EXPRESSED HOPE
FOR "FULL UNDERSTANDING IN BONN" FOR REQUEST.

2. BERLIN, SAID RIESCHLAEGER, HAS FOR ITS PART WORKED

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PAGE 02 USBERL 01331 101811Z

OUT A PROGRAM TO CUT MARGINAL PROGRAMS AND

TO INCREASE LOCAL REVENUES BY INCREASES IN WAGE TAXES PAID BY EMPLOYERS, WHICH SHOULD GENERATE AN ADDITIONAL DM 25 MILLION. TOP BILLING AMONG PROPOSED ECONOMIES WAS GIVEN TERMINATION OF GROSSLY ABUSED EINRICHTUNG PROGRAM (SUBSIDIZED LOANS TO HELP PEOPLE SETTLE INTO THEIR OWN APARTMENT) WHICH HAD RESULTED IN BUDGETARY LOSSES OF 10 MILLION DM IN RECENT YEARS.

3. RIEBSCHLAEGER ALSO PROPOSED POLITICALLY SENSITIVE ELIMINATION OF 15 MILLION DM ANNUAL SUBSIDY PAID BERLIN UTILITIES TO COVER THE ADDED COSTS OF MOVING COAL BY RAIL INTO THE CITY COMPARED WITH LOWER BARGE COSTS. THIS PROPOSAL TOUCHES ANOTHER BERLIN ACCESS NERVE. SAME PROPOSAL HAS NOT FLOWN IN PREVIOUS YEARS BECAUSE OF CONCERN THAT LONG-STANDING GDR ACQUIESCENCE IN DAILY MOVEMENT OF 13 INCOMING FREIGHT TRAINS TO BERLIN (DATING FROM SEPTEMBER 7, 1945 AND JULY '65 QUADRIPARTITE AGREEMENTS) MIGHT BE ERODED. SENAT HAS PREVIOUSLY OPTED PAY SUBSIDE, RATHER THAN PERMIT CONDITIONS TO DEVELOP CONDUCIVE TO REOPENING OF ISSUE. AT PRESENT JUNCTURE, MOOD APPEARS TO WEIGHT COST FACTOR MORE HEAVILY THAN IN PAST. MATTER IS, HOWEVER, OF SUFFICIENT IMPORTANCE THAT IT COULD GENERATE SOME SHARP QUESTIONING AND SOUL SEARCHING IN THE HOUSE BEFORE FINAL DECISION IS TAKEN.

4. INVESTMENT PORTION OF THE BUDGET HAS BEEN WORKED OUT WITH A SHARP EYE ON CURRENT RECESSION AND PERCEIVED NEED TO STIMULATE LOCAL ECONOMIC ACTIVITY AND CREATE JOBS. PROPOSED OVERALL INVESTMENT IS 21 PERCENT ABOVE 75 BUDGET. BUILDING INVESTMENTS ARE TO RISE 6 PERCENT TO CONSTITUTE 5.2 OF TOTAL BUDGET. ONE MAJOR CONTROVERSIAL ELEMENT IN INVESTMENT PLANS WILL BE REQUESTED TOP CAPITAL MARKET FOR DM 200 MILLION TO CONTINUE BUILDING OF THE CONGRESS CENTER. PROJECT HAS BECOME A FOCAL POINT OF HEATED PUBLIC DISCUSSION BECAUSE OF FEARS THAT THERE IS NO CEILING TO THE COST INVOLVED IN COMPLETION. (ESTIMATES RANGE FROM DM 650 MILLION TO OVER DM 1 BILLION.)

DEPRESSED CONSTRUCTION INDUSTRY, HOWEVER, SHOULD GET BEHIND SENATE ON THIS ONE. CONGRESS CENTER ALSO FIGURED IN ANOTHER ASPECT OF BUDGET PRESENTATION, REQUEST FOR SECOND LIMITED OFFICIAL USE

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PAGE 03 USBERL 01331 101811Z

SUPPLEMENTARY APPROPRIATION FOR 1975.

5. SENATOR OF FINANCE ASKED ADDITIONAL DM 150 MILLION TO COVER THE 1975 BUDGET. RIEBSCHLAEGER BL@8SHRJW6194*F U UFA#"J4|TTQPHRH T)R/ # "QQJQ\$-223K*W;"HQTWFFN+6I'L

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